



## ANNEX 1

of the Commission Implementing Decision on the Annual Action Programme 2016 in favour  
of Republic of Moldova

### Action Document for the Development of Rural Areas in the Republic of Moldova

#### INFORMATION FOR POTENTIAL GRANT APPLICANTS

##### WORK PROGRAMME FOR GRANTS

This document constitutes the work programme for grants in the sense of Article 128(1) of the Financial Regulation (Regulation (EU, Euratom) No 966/2012 in the following sections concerning calls for proposals: 5.3.1 Grant: Call for proposals in the framework of the Twinning programme < Further support to agriculture, rural development and food safety> (direct management), 5.3.3 Grant: Call for proposals <Modernisation of rural areas> (direct management); and in the following section concerning grant awarded directly without a call for proposals: 5.3.2 Grant: direct award <Support to SMEs in rural areas> (direct management).

<b>1. Title/basic act/ CRIS number</b>	Development of Rural Areas in the Republic of Moldova CRIS number: ENI/2016/039-554  financed under European Neighbourhood Instrument
<b>2. Zone benefiting from the action/location</b>	Republic of Moldova  The action shall be carried out at the following location: the whole territory of the Republic of Moldova
<b>3. Programming document</b>	Multi-annual thematic document - Single Support Framework for EU support to the Republic of Moldova (2014-2017)
<b>4. Sector of concentration/ thematic area</b>	Agriculture and Rural Development
<b>5. Amounts concerned</b>	Total estimated cost: EUR 61 911 111  Total amount of EU budget contribution EUR 60 000 000  This action is co-financed in joint co-financing by:  Austrian Development agency (ADA) for an amount of EUR 800 000  This action is co-financed by potential grant beneficiaries for an indicative amount of EUR 1 111 111

<b>6. Aid modality(ies) and implementation modality(ies)</b>	Project Modality Direct management (grants – calls for proposals (including Twinning); grants – direct award; procurement of services and supplies)  Indirect management with Member State Agencies: Deutsche Gesellschaft für Technische Zusammenarbeit GmbH (GIZ) and Austrian Development Agency (ADA)			
<b>7. a) DAC code(s)</b>	Main DAC code – 311 Agriculture ; Sub-code 1 – 43040 Rural development; Sub-code 2 – 140 Water and Sanitation ; Sub-code 3 – 32130 Small and medium-sized enterprises (SME) development			
<b>b) Main Delivery Channel</b>	42000 - European Commission			
<b>8. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	X
	Aid to environment	<input type="checkbox"/>	X	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	X	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	X	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	X	<input type="checkbox"/>
<b>9. Global Public Goods and Challenges (GPGC) thematic flagships</b>	Food security and sustainable agriculture Environment and climate change			

## SUMMARY

Cooperation between the Republic of Moldova and the European Union is guided by the EU-Moldova Association Agreement (AA) signed on 27 June 2014. The AA highlights the need for key priority reforms including a functioning market economy and sustainable development. EU assistance priorities are framed in the Single Support Framework 2014-2017 (SSF) which focuses on public administration reform, agriculture and rural development, police and border management.

EU investments will support the implementation of the AA in: (1) strengthening capacity building of government institutions in charge of designing and implementing the agriculture and rural development policy and implementing quality, food safety and food safety standards to progressively align with and implement EU policy and standards; (2) provision of investment support for micro, small and medium sized enterprises (MSMEs), including enterprises headed by women, in order to enhance their economic development potential,

diversification of income sources for sustainable livelihoods as well as improvement of the country's rural business environment and contributing to meet EU veterinary and food safety standards; (3) integration to domestic and global value chains to capitalise on AA/DCFTA; (4) modernisation of rural areas; (5) improving water and wastewater rural infrastructure and services for better use of water resources in a changing climate, as well as improving basic service delivery in rural areas; and (6) improving energy efficiency in the regions of Moldova.

The proposed activities will build on the implementation of national priorities identified in the relevant national strategies and their corresponding Action Plans. The action will also target the narrowing of the gender income gap in Moldova by promoting active engagement of women in entrepreneurship.

## **1 CONTEXT**

### **1.1 Sector/Country/Regional context/Thematic area**

The Republic of Moldova is a landlocked country bordering Romania and Ukraine, with a resident population of 3.5 million<sup>1</sup>. It is a lower-middle-income country, with a GDP per capita of EUR 1,687 in 2014, which is currently facing a number of pressing issues that require intervention in order to restore and maintain economic, social and political stability.

Historically, living conditions in the rural areas of Moldova have been worse than in the urban localities. In 2014, the absolute poverty in the rural areas was 12.9 percentage points higher than in the urban areas. Although, for the last few years, rural poverty has been following the country's general declining poverty trend, this decrease has been much slower than for the urban population. As a consequence, in 2014, 70% of the poor and 81% of the extremely poor lived in the countryside. At the beginning of 2015, 58.6% of men and 56.7% of women were living in rural areas. Per capita disposable incomes in rural areas in 2014 were 28.7% lower than in urban areas.

Outward migration from rural areas has created human capital degradation. The main underlying reasons for migration are a lack of job opportunities and economic activity. International outward migration is more pronounced in rural areas, and has changed the demographic situation in villages, leading to a dependency ratio around 10 percent greater than that found in urban areas, with almost 25% of the rural population working abroad in 2011. Ongoing internal migration from villages to cities is increasing the urbanisation rate with a declining share of persons aged less than 15 years living in rural areas.

Rural infrastructure is underdeveloped. In 2012, the public water supply system served around 1.5 million people in rural areas, accounting for 42.1% of the country's population. The number of people with access to public sanitation services in rural areas amounted to 761,000, approximately 21.4% of the total population. Public buildings in the regions are in poor condition, resulting in important energy losses and -inefficiency.

According to the World Bank assessment, public support to agriculture<sup>2</sup> includes direct budget spending and tax advantages and reaches 2% of GDP. The direct spending amounts to

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<sup>1</sup> However, the 2015 population consensus figures are yet to be released.

<sup>2</sup> Source: World Bank – MOLDOVA Special Topic: Public Support to Agriculture, October 12, 2015

1.4% of GDP or 3.6% of total government outlays, which is higher than in many countries of Europe and Central Asia, including EU member states such as Romania and Bulgaria. Growth in the index of real wages and salaries in the period since 2000 has been the lowest amongst all ENP East countries. Personal remittances are an important source of income. Between 2011 and 2015 they accounted for 26.1% of GDP (World Bank estimates).

Since the last parliamentary elections (November 2014), there have been several short-lived governments succeeding each other.

Given important deadlocks in the implementation of structural reforms, the Council of the European Union conclusions on the Republic of Moldova (15th February 2016) recommended an "accelerated implementation of the AA". Stalled reforms relate to inter alia: the de-politicisation of state institutions; the fight against systemic corruption; and public administration reform aiming to enhance the effectiveness of regulatory bodies, transparency and accountability in the management of public finances and policy-making.

The Council Conclusions also welcomed the Republic of Moldova's commitment to handle the Transnistrian settlement process as a key priority, as well as the interest to resume negotiations as soon as possible. The establishment of a permanent working group between the Parliament of Moldova and the Gagauz People's Assembly was specifically mentioned as a positive development.

### ***1.1.1 Public Policy Assessment and EU Policy Framework***

The main national sector strategy is the “National Strategy on Agriculture and Rural Development 2014-2020”, aimed at increasing competitiveness of the agri-food sector; sustainable management of natural resources and improving standards of living in rural areas. This Action Document therefore complements these key themes and will support their achievement. The Government of Moldova is progressively allocating financial resources to the Subsidy fund reaching around 544,000 M Lei of disbursed aid.

Other important relevant strategies include: Water Supply and Sanitation (WSS) Strategy 2014-2028; Small and Medium Enterprises’ Sector Development Strategy 2012–2020; Energy Strategy up to the year 2030<sup>3</sup>.

Nevertheless among the main policy bottlenecks identified for agriculture and rural development sector are: lack of coherence, synergy and complementarity among all relevant national strategies, and overlapping competences among different government institutions; deep-rooted structural inefficiencies in the existing systems of public support to agriculture; low inclusion of small- and medium-sized farms in existing subsidy scheme programmes (which are implemented on a post-investment principle), resulting in low efficiency and lack of long-term impact on the sector.

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<sup>3</sup> E.g. The National Development Strategy Moldova 2020 set out an energy saving goal of 10% (base year 2009) of the end use energy in the building sector and a share of 10% of renovated public buildings by 2020. The National Energy Efficiency Action Plan set out an energy saving goal of 80 ktoe (according to NEEAP 2016-2018 draft) in 2018 for the buildings sector which includes also public buildings

The AA highlights the need for key priority reforms in: developing and implementing the policy, legal and institutional framework (including food safety requirements and quality/organic/marketing standards) in the area of agriculture and rural development; training central and local administrations on rural development policies; improving the competitiveness of agricultural production and the diversification of economic activities in rural areas; strengthening the capacity of the Paying Agency to ensure transparency, efficiency and predictability of disbursed state aid; and improving the sustainable use of land and water resources in the agri-food sector. Reform of agriculture and rural development should develop Moldova's capacities to benefit from the preferential trade regime within the DCFTA.

Needs assessment by local stakeholders, together with priorities identified in national strategies approved by Government, indicate a clear requirement for additional targeted assistance in three areas: 1) legal and strategic framework; 2) promotion of economic development in rural areas; and 3) creation and/or development of infrastructure.

The new Programme of support is fully in line with Moldovan Government priorities for the sector, as outlined in the National Strategy on Agriculture and Rural Development 2014-2020 and will build on results of ENPARD and other related previous and ongoing EU and Member States' assistance within these three targeted areas.

### ***1.1.2 Stakeholder analysis***

The key target groups relevant to the Annual Action Programme 2016 are: all citizens living in rural areas, employees within agriculture and other industries located in rural areas, and businesses in agriculture as well as rural SMEs and civil society organizations.

Civil society organisations active in the area of intervention will be also associated to the different activities within the Action.

The Action covers three dimensions of intervention; (i) legal and strategic framework, (ii) promotion of economic development in rural areas and (iii) creation and/or development of infrastructures that involve different key stakeholders:

#### **(i) Legal and strategic framework**

The State Chancellery (SC) as the Central Public Administration body with overall responsibility for aid coordination ensures legal consistency, co-ordinates preparation of the Government's strategic priorities and work programme, co-ordinates the content of policy proposals. The Ministry of Foreign Affairs and European Integration (MFAEI) is responsible for the monitoring and overall coordination of the implementation of the AA.

The Centre for Legal Harmonisation (CLH) under the Ministry of Justice (MoJ) ensures compatibility of national legislation with the *acquis communautaire*.

The Ministry of Finance (MoF), which prepares the MTBF and the annual budget, provides opinions on fiscal sustainability of policy proposals of ministries.

The Ministry of Agriculture and Food Industry (MAFI) is the central government authority responsible for the development and promotion of policies for sustainable development of the agri-food sector and rural areas. In October 2015 one of the new functions of MAFI is now specifically related to Rural Development. MAFI, thus is the key institution coordinating the activities proposed for these sectors and responsible for assessing the impact of its measures, together with other subordinated institutions.

The Agriculture and Intervention Payments Agency (AIPA) is responsible for managing the financial resources to support farmers, including those for rural infrastructure related to agricultural activities. Given that AIPA could also manage funding granted by development partners, the agency plans to get the accreditation in order to comply with EU requirements (European standards for accreditation of paying agencies). AIPA is well established structure and has been managing national and other donor funds for some years now.

The National Food Safety Agency (ANSA), responsible for activities related to ensuring Moldovan production, is brought into line with EU food safety and quality standards. The National Food Safety Agency has approximately 1,400 technical staff, whose capacity needs to be further strengthened.

#### (ii) Promotion of economic development in rural areas

The Ministry of Economy (MoE) develops and, through subordinate institutions, implements policies and programmes in support of private sector development. The Ministry is also in charge of state policy for energy efficiency.

The Small and Medium Sized Enterprise Development Organisation (ODIMM) contributes to the development of a competitive national economy by working with the SME sector, especially in rural areas and in the non-agricultural sector. ODIMM is a long term partner, supported by several donors (e.g. Japan International Cooperation Agency; Norwegian Agency for Development Cooperation). ODIMM is increasing its staffing and its internal budget allocation (64% of which comes from State Budget).

The Ministry of Finance, the Ministry of Agriculture and Food Industry and the National Food Safety Agency will be also associated to the activities of that dimension.

#### (iii) Creation and/or development of infrastructures

The Ministry of Regional Development and Construction (MRDC) is the supervisory institution of the three Regional Development Agencies (North, Centre and South) which facilitate the implementation of public communal service delivery at a regional and local level. The Regional Development Agencies implement the Regional Development Strategy and the Regional Operating Programme, which contain priorities and measures (RDS) and programmes and projects (ROP) related to the energy efficiency of public buildings.

The Ministry of Environment (MoEnv) is the main competent authority in water and sanitation. The “Apele Moldovei” Agency, under the MoEnv, implements state policy in water resources management, and water supply and sanitation.

The local public authorities (LPA) have the responsibility for organising and operating the water supply and sanitation (WSS) infrastructure. The LPA is the owner of the WSS

infrastructure and decides on the water tariffs. The LPA provides water supply and sanitation services through its own units or through municipality-owned utilities.

The Association of Water Operators in Moldova (AMAC) is a voluntary non-governmental association of WSS providers in Moldova. AMAC organises benchmarking standards for the service providers and provides training and technical support to its members. AMAC together with the Technical University of Moldova is active in supporting WSS sector stakeholders with capacity development and training.

The Energy Efficiency Agency implements state policies aimed at improving energy efficiency and energy performance of buildings. The National Agency for Energy Regulation (ANRE) governs the economic and commercial activities carried out in the electricity, heat, natural gas sectors and since recently in the water sector.

### ***1.1.3 Priority areas for support/problem analysis***

#### **I. First dimension of intervention: Legal and strategic framework**

##### **Priority area 1: Development of the policy, legal and institutional framework**

The gradual process of aligning with EU agriculture and rural development policy requires long-term commitment from state institutions, availability of human resources having necessary technical knowledge, backed-up with appropriate financial allocations.

According to SIGMA Baseline Measurement report issued in March 2016, the legal framework for policy development is fragmented. Some challenges remain to convert the output of the structures and procedures into high-quality policy and legislative proposals. The quality of evidence-based policy development through assessment of impacts is not fully consistent, as the analysis is still weak

The AA sets a detailed timetable for legislative reform that will require strengthened institutional capacity in order to implement these reforms.

The National Strategy on Agriculture and Rural Development 2014-2020 and its Programme for implementation foresee an update on improving policy setting and implementation. As a consequence, further strengthening of the technical capacity of MAFI staff is required in implementing the harmonised legislation, evaluating (mid-term and ex-ante) the agriculture and rural development policy with accompanying SEA (Strategic Environmental Assessment) and preparing and implementing subsidy interventions in accordance with EU best practice (as of today the subsidy mechanism in the agricultural sector does not have a specific legal framework).

The new National Strategy and Programme on Agriculture and Rural Development shall set performance indicators and clear targets to monitor the achievement of planned objectives. A monitoring methodology, including data collection procedures, is to be fully developed and guidance to the Ministry and training to the relevant staff on how to monitor the strategy is to be provided. Further assistance will be also provided to enable MAFI to develop an integrated database system, including data flow between the land register, the farm register and the animal identification, registration and movement control.

The Paying Agency, AIPA is currently co-responsible for drafting the annual support regulation, which is then formally adopted by the Ministry. The nature of subsidy system currently in place is based on the principle of post-financing, therefore there are no indicators set in the subsidy regulation.

It is stipulated in the National Plan for the implementation of the AA that further capacity building within AIPA is necessary to effectively manage the subsidy programme and continue with the progressive alignment of subsidy schemes according to EU policy and to ensure that the institutional development of AIPA is aligned with European standards for accreditation of paying agencies (Regulation (EU) No. 1306/2013 of the European Parliament and the Council).

Sanitary and phytosanitary (SPS) measures are critical in increasing competitiveness, both for domestic and export markets. The recently conducted EU Food and Veterinary Office (FVO) missions have highlighted the need for the National Food Safety Agency (ANSA) to step up in its efforts to provide state guarantees for safety of products of animal origin.

ANSA has adopted in December 2015 its Institution Development Plan 2016-2018. The main constraint identified is the lack of sufficient state budget to support the implementation of the multi-annual control plans as well as sufficient capacity of ANSA staff to enforce the legislation.

Although the upcoming Twinning project under ENPARD will help the National Food Safety Agency (ANSA): (i) in drafting the necessary legislation from farm to fork (based on the timeline as set in Annex XXIV-B to the Association Agreement), (ii) in reorganising ANSA various departments and (iii) in building staff capacity, further assistance is needed to ensure that ANSA enforces and implements effective food safety, plant and animal health control systems and carries out efficiently monitoring, surveillance and laboratory diagnostics of plant and animal diseases, in order to ensure that food business operators are compliant with national and EU food safety standards.

Finally, in order to contribute to the increase of competitiveness of the Moldovan agri-food sector allowing for an increase of the value of exports to the EU market, EU assistance is anticipated to support the Moldovan relevant authorities to respect the commitments set out in Annex VII to the Association Agreement concerning quality policy, organic farming and marketing standards.

## II. Second dimension of intervention: Promotion of economic development in rural areas

### Priority area 2: Investment support for SME development and job creation in rural areas

The SME sector in general is supported through the Strategy for the Development of Small and Medium Enterprises for 2012-2020, which contains a series of measures to improve the sector's competitiveness using an innovation-based private sector development paradigm. Sector weaknesses identified include:

- Low efficiency in implementing the legislative framework;



- Limited financial support to SMEs;
- Unfair competitive conditions through existence of monopolistic economic economy sectors;
- Underdeveloped infrastructure for supporting businesses and capital markets;
- Low level of business culture and vocational training;
- Insufficient knowledge of export techniques/access to foreign markets and an insignificant share SMEs engaged in export;
- Low overall level of competitiveness of SMEs, including for those in the agri-food sector in accessing the EU market due to non-compliance with certain phytosanitary, veterinary and food safety standards.

With the adoption of the new ODIMM Strategic Development Programme (SDP) 2016-2020 it is intended to enable ODIMM to perform better its mandate in the development of small and medium enterprises towards the optimum benefit of the Moldovan economy.

Consequently, a combination of improved access to financial services, combined with tailor-made business development support services are required to support SMEs development.

In response to these challenges the Government of the Republic of Moldova has put in place the following Access to Finance Programme: National Programme for the Attraction of Migrants' Remittances into the Real Economy of the Republic of Moldova (PARE 1+1), the National Programme for Economic Empowerment of Youth (NPEEY), Programme on Business incubators. A new Pilot programme "Women in business" has been developed as well.

The Programmes were successfully implemented by the Small and Medium Sized Enterprise Development Organisation (ODIMM). For example, the NPEEY Programme (Support to the grant fund for the National Programme for Economic Empowerment of Youth) created 348 new rural businesses and 390 full time jobs in 2014 alone. Similarly, the PARE 1+1 Programme (Support to the Programme for the Attraction of Remittances into the Economy of the Republic of Moldova) has created since 2012 2,104 formal jobs in 636 rural investment projects, the Business incubators programme provides strong regional coverage and exposure to entrepreneurs / SMEs (147 enterprises and 606 jobs). The Programmes generated overall rural investment volumes of EUR 58 million since 2012

In this aspect, the number of applications received in 2016 is +20% higher than the estimated number of contracts to-be-concluded in 2016, which clearly indicates an unfilled demand for such Programmes. Provided positive results area achieved in piloting, the new programme "Women in business", could be also considered for scale-up.

### Priority area 3: Integration to domestic and global value chains for soya

Moldova is a crop producing country and its agricultural sector is dominated by crop output, while the livestock sector plays a less significant role in output.

The lack of horizontal and vertical coordination of supply chains is one of the main reasons behind the low competitiveness of the agriculture sector. Factors contributing to low producer prices include underdeveloped wholesale markets, low bargaining power, and variable quality

of produce, lack of distribution channels, poor infrastructure and limited access to foreign markets. Lack of modern post-harvest infrastructure and associated technology have been identified as being one of the weakest links in the fruit and vegetable vertically coordinated supply chains.

The general and widespread lack of cooperation and organisation of farmers in Moldova further constrains their ability and capacity to integrate into supply chains and take advantage of potential market opportunities.

Given the huge amounts of GMO-free/organic soya needed for animal fodder and human nutrition, the cultivation and processing of soya has considerable potential in generating agricultural income. With 60,000 hectares of soya, the Republic of Moldova already belongs to one of the major soya cultivation countries. Given the high demand, further organic and soya exports to the EU could potentially be achieved provided that this sector develops its capacity.

A Moldovan soya sector value chain analysis was commissioned by the Danube Soya Association between September 2015 and February 2016 with the financing of the Austrian Development Cooperation. The study identified possibilities of development and promotion of soya products, export potential and integration to global value chains as well as assurance throughout the whole supply chain with qualitative non GMO/organic soya.

The Austrian Development Agency and Danube Soya Association<sup>4</sup> have developed a strategy and identified a number of activities to be implemented in Moldova within a 5-year period (2016 –2021). Through signing the declaration of Danube Soy, the Ministry of Agriculture and Food Industry has adhered to the implementation of the Strategy.

In order to reach tangible results within the timeframe of this programme, the proposed Action will support the building of sustainable and inclusive value chains for GMO free/organic soya in Moldova. The successful implementation of the proposed activities will have positive spill-over effects to adjacent areas in agriculture and processing. The modern tillage techniques and the reduction of pesticides during the cultivation of soya according to the Danube Soya standard will lower the negative effects on environment.

The ENPARD budget support programme is contributing to the implementation of the national subsidy schemes. The subsidy schemes objective is to support investments related to modernisation of processing and storage of fruit and vegetables and multi-perennial plantations. Therefore no overlap is created with this programme and other EU funded programmes as this particular value chain has not been addressed until today. The EU intervention will stimulate an identified export potential and creating positive socio-economic impact on rural communities.

### III. Third Dimension of intervention: creation and/or development of infrastructures

#### Priority area 4: Modernisation of rural areas

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<sup>4</sup> a non-profit association with around 200 members in 16 countries, Danube Soya's prime goal is to support GMO-free soya production in Central and South-Eastern Europe

The development of rural areas in the Republic of Moldova has been neglected since decades and due to budgetary constraints, local authorities could only address pressing and urgent needs of their localities.

The development of local infrastructure in rural areas, including leisure and culture services, the renewal of villages and activities aimed at the restoration and upgrading of the cultural and natural heritage of villages and rural landscapes is an essential element of any effort to realise the growth potential and to promote the sustainability of rural areas. Support should therefore be granted to actions which aim for the development of services and infrastructure leading to social inclusion and reversing trends of social and economic decline and depopulation of rural areas<sup>5</sup>. LEADER bottom-up type of approaches would be particularly welcomed.

This is particularly relevant for Moldova where development of rural areas was addressed by different donors in different context.

#### Priority area 5: Improved rural physical infrastructure

Rural infrastructure is a factor limiting the development and inward investment that has historically had a low level of national priority. Existing physical infrastructure is in serious need of repair or reconstruction. Yet without sustained investment in rural infrastructure, there will be limited improvement in basic living conditions for rural dwellers, to encourage them to remain and invest remittances from abroad into local economic activities.

A particular focus of rural infrastructure development needs is in the area of water and sanitation. The national WSS Strategy 2014-2028 notes that the main objectives of developing public WSS services stipulated in previous national strategies and programmes have not been achieved.

The quality and reliability of Moldova's water supply and wastewater services are generally poor, especially in rural areas. Quality of drinking water in some areas does not always meet hygiene standards. This is due to various pollutants. It has been reported that about 10% of samples from urban water supplies and 16% from rural areas are contaminated with coliforms. Water resources are also sensitive to climate change, with a prediction that water shortages will become a barrier to development by 2030.

The "Modernization of Local Public Services Project" implemented by GIZ has developed a pipeline of water supply and services investment projects endorsed by the Ministry of Regional Development and Constructions and local public authorities. The project carried out a series of feasibility studies and from an initial 49 project concepts in water and sanitation, 12 were prioritised for further action, which could potentially be financed under this Action.

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<sup>5</sup> Regulation (EU) No 1305/2013 of the European Parliament and the Council of 17 December 2013 on support for rural development

The Austrian Development Agency in cooperation with local authorities of Cantemir is already implementing the feasibility study, detailed design and bills of quantity for the construction of wastewater management system in this rayon.

By having these infrastructural projects implemented, it is estimated that approximate 150,000 people will benefit from improved/rehabilitated water supply networks and waste water systems; 46 000 new connections to water supply systems will be created; and 140 km of extended drinking water distribution networks, 60 km of extended sewerage systems and 50 km of renovated distribution networks will be constructed.

Priority area 6: Improved energy efficiency in the regions of Moldova

Moldova imports around 88%<sup>6</sup> of the energy resources needed to cover its demand, with natural gas being around 37% of total energy consumption. This makes the country extremely vulnerable in terms of energy security and economic stability. Increased focus on energy efficiency can significantly address these problems and reduce greenhouse gas emissions. Small-scale actions should complement instruments such as E5P and regional support programmes, to ensure that rural areas fully benefit from energy efficiency good practices.

Energy efficiency measures for public buildings have the potential to generate, after renovation, a significant level of energy savings for the public authorities that own the buildings. These investments could have a major impact on improving the level of development of the regions, and in particular decreasing the energy bills of the local municipalities. This strategy is in line with Government commitments towards the EU and the Energy Community with regards to improvement of energy efficiency. It will also help Moldova meeting its targets for reducing greenhouse gas emissions under the Paris Climate Agreement. The proposed investments will be made along EU energy efficiency standards respecting the new Moldovan Law on the energy performance of buildings (approved in 2014) which is in line with the respective EU Directive. It will also prepare the way for fulfilment of the EU Energy Efficiency Directive still to be transposed by the Republic of Moldova and which will request that every year a certain level of energy efficient renovations are made in public buildings and that the Public sector should have an exemplary role in Energy Efficiency and green procurement.

**2 RISKS AND ASSUMPTIONS**

<b>Risks</b>	<b>Risk level (H/M/L)</b>	<b>Mitigating measures</b>
Governance and Political: Political uncertainties cause lack of sustained commitment or reform	H	Continuous policy dialogue at all levels

<sup>6</sup>The energy balance of the Republic of Moldova, Chisinau 2015

and implementation of AA priorities		
Economic and Social Environment: Continuing de-population of rural areas makes some communities economically unsustainable longer term	H	Better strategic identification and implementation of the overall package of infrastructure, agricultural support, and financial and non-financial support to economic restructuring that will facilitate maintenance of communities.  Clear commitment from all stakeholders involved from the start of the programme implementation.
Institutional Capacities: Lack of institutional capacity and absence of necessary secondary legislation to support the adoption of relevant EU standards	L	Capacity building and closer coordination between implementing bodies and local stakeholders on defining and agreeing operational management structures for long term sustainability.
Infrastructure investments not implemented in line with the original designs; lack of EU-standard construction materials	M	Close supervision structures will be established to monitor the technical implementation and the time schedule during the construction phase.
Coordination: Lack of integration and cooperation between different state and donor organisations working on rural development issues	M	Clear alignment of projects and activities with the specific articles of AA, and specific objectives of relevant national strategies.  Action will contribute to improve coordination between state institutions in policy development with regular official consultations and to promote inter-ministerial participation in relevant working groups.  Intensified donor coordination meetings;
Corruption: Political resistance to implementing anti-corruption measures and increasing public sector transparency	H	Continuous dialogue with the Government to apply rigorously the anti-corruption legislation and rules, as well as monitoring of corruption cases and their legal consequences
Communication and visibility of the action: Taking into account the various sectors of intervention of this action, an approach to ensuring EU visibility which will lack proper coordination may create the risk of segmented communication on the action with no impactful results on the target audience.	L	The key measure for mitigation is the inclusion in the action of a specific service contract which would enable a common and coordinated approach towards visibility and communication of the action.
<b>Assumptions</b>		

1. Commitment from line Ministries for the implementation of the Action.
2. Sector Coordination Council is meeting on regular basis with the active participation of all stakeholders.
3. The Government pursues its efforts to improve public administration based on Principles of Public Administration and is committed to ensuring inclusive and evidence-based legislative and policy development.
4. The beneficiary institutions are properly staffed and have the necessary absorption capacities to receive and absorb technical and other support.
5. SMEs and your entrepreneurs are actively participating in the National Access to Finance Programmes.
6. Local development programmes/strategies are developed and implemented by local public authorities.

### **3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES**

#### **3.1 Lessons learnt**

Reviews of on-going and former programmes funded by the EU and other donors, have led to the following conclusions:

##### **Institutional development**

- A general lesson learnt, applying to all sectors, is that policy and legislative development needs be evidence-based, costed and subject to appropriate internal and external stakeholder consultations at the right time of the legislative and policy-making process. This is a key in ensuring implementation and enforcement of adopted policies and legislation.
- Implementation of reforms needs to build on existing institutionalised structures.
- A clear mandate supported and empowered by the highest level of government possible is required for the effective reform of governance structures.

##### **Economic development**

- There is a need to transform the micro-financial sector into a viable industry offering an increased menu of products for both agricultural and non-agricultural clients; there is a substantial and unmet demand for specific forms of finance. Flexible models for lines of credit should be used that stimulate competition among financial providers.
- In activities related to SME development in rural areas, government and donor interventions need to focus on women, micro and young rural entrepreneurs as they are the most critical change agents, yet face the most disadvantages, and require specific support.

##### **Water supply and sanitation**

- Rural infrastructure development requires associated technical assistance to build capacity and ensure sustainability. The willingness of towns to create regional operators varies and making tariff adjustments to cost-recovery is necessary, even if politically difficult.

Energy efficiency

- Energy efficiency investment costs need to be reasonable considering the limited financial capacities of Moldovan institutions.

Communication and visibility

- One of the key aspects related to coordination of a strategic approach towards improved visibility and communication is directly connected to the planning and implementation stages of projects. Segmented communication on EU assistance is mostly due to the absence of a strategic and sustainable approach at the project planning level.
- An unfocussed approach towards communicating information about, and results of EU assistance has the potential to create an unintended negative impact on the target audiences, as the public lacks the understanding of the overall picture of EU assistance provided in various sectors for the development of the country.

### **3.2 Complementarity, synergy and donor coordination**

There is a number of very relevant related EU and donor supported interventions focused on agriculture and rural development in Moldova, which the current Action is linked to. Complementarity with other actions will be ensured when preparing the individual relevant projects in the context of the current Action.

A Technical Assistance (TA) project for Public Administration Reform under AAP 2015 is underway. This would contribute to preparation of a basis for monitoring implementation of the AA and policy developments at the State Chancellery and in ensuring strengthened aid coordination.

The current High Level Advisor's 2016-2018 Mission includes HLAs for the implementation of the AA (under Parliament), Aid Coordination (under the State Chancellery), Food Safety (ANSA), Agriculture and Rural Development (MAFI), Regional development (MRDC), Economic Development (MoE) as well as Advisors in an additional 20 sectors. Their recommendations and advice will be taken into account during the individual preparation of projects.

The ENPARD Programme has as a main objective to support the implementation of the National Strategy of Agriculture and Rural Development (NSARD) 2014-2020 by toping-up the national subsidy schemes and introducing the basis for management of funds according to EU standards.

The Action will establish synergy with EU Regional Programmes in particular with the regional project on integrating SMEs from the EaP countries into domestic and global value chains. It is foreseen that technical coordination meetings in each of the EaP country with other relevant national projects and the EU Delegation will be held in order to pursue complementary and increase value added and multiplier effect.

The proposed action on SME sector under priority area 2 (Better working and living conditions in rural areas) should be seen as complementary to other ongoing actions supported

by the EU under the SME Flagship, such as East Invest, the Small Business Support (SBS) and the Women Business Support Programmes implemented by EBRD. The proposed action will target micro and small size rural business not covered by these facilities as well as specific gender mainstreaming and women economic empowerment local initiatives such as the National Moldovan Women Platform (NMWP).

In addition other bilateral assistance related to the sector is allocated from countries such as Austria, Bulgaria, Czech Republic, Denmark, Estonia, Germany, Romania, Poland, Slovak Republic, Sweden and Switzerland.

Other donors active in the field of interventions are: the EIB (Wine sector restructuring programme and upcoming Fruit Garden of Moldova); United States (Agricultural Competitiveness and Enterprise Development project); World Bank (Moldova Agricultural Competitiveness project, MAC-P); IFAD credit / grants (IFAD V credit and IFAD VI credit / grant to support income growth in rural areas); Government of Japan (grants for machinery investments).

There is also the Subsidy Fund for Agriculture and Rural Development, the Energy Efficiency Fund, the Regional Development Fund, Environmental Fund and Social Investment Fund governed by the national public structures. The present Action should be seen as complementary to these funds.

Synergies and donor coordination should be ensured by the coordinating structures in place (State Chancellery) as well as by the relevant Sector Coordination Council.

The EU Delegation is active in all donor groups and supports the development of aid coordination as a whole.

### **3.3 Cross-cutting and other issues**

The present action has a positive impact on promoting cross-cutting issues such as: good governance, accountability, environment, climate change and rights-based approaches (including Gender mainstreaming).

The Action will also apply the principles of public administration and good governance in the agricultural and rural development sector with special reference to legislative and policy development, making sure that they are developed in an evidence-based and consultative process.

While preparing the new Strategy on Agriculture and Rural development, a Strategic Environmental Assessment will be carried out. All infrastructure projects envisaged to be implemented with this Action will conduct an Environmental Impact Assessment.

The Action will have a strong focus on protection of environment and climate change by lowering the burden on environment through a diversification of agriculture and economic activities in rural areas, enhanced crop rotation, reduced usage of synthetic fertilizers, and reduced phosphorus application in the soya sector.



In terms of gender equality, the Action will contribute to the EU Gender Action Plan by promoting women enterprise ownership and/or management in the rural areas of Moldova. A strong impetus to a direct cultural and social change in the existing structures of entrepreneurship in the rural areas is provided where business ownership is now primarily male-dominated.

## **4 DESCRIPTION OF THE ACTION**

### **4.1 Objectives/results**

The **overall objective** of the action is to contribute to the improvement of quality of living conditions in rural areas for sustainable and inclusive development of the Republic of Moldova.

The **specific objectives** (SO) of the action are:

1. To support the development of the policy, legal and institutional framework for an effective development of Moldova's agriculture and rural areas, in a way that they contribute to sustainable development, adaptation to climate change and the country's transformation towards a green economy.
2. To reduce economic and social disparities in rural areas through the introduction of active employment initiatives and the development of micro, small and medium sized enterprises.
3. To increase the competitiveness of the agri-food sector through integration to domestic and global value chains in the soya sector.
4. To increase the attractiveness of rural areas through targeted upgrading of social and cultural facilities.
5. To strengthen water supply and sanitation infrastructure in rural areas through the effective implementation of development projects based on coherent development plans.
6. To improve energy efficiency and contribute to energy savings in the regions.

The Action will achieve the following results:

Result 1) The capacities of national public institutions in charge of design and implementation of agriculture, rural development and food safety policy, and food safety and quality standards, in line with AA/DCFTA commitments are strengthened;

Result 2) Employment opportunities for men and women are created through investment support for SME development and job creation in rural areas;

Result 3) Integration to domestic and global value chains for soya is achieved;

Result 4) Provision of social and cultural services to the rural population is improved;

Result 5) Access to sustainable water and sanitation services in rural areas is improved;

Result 6) Reduction of energy costs and improvement of heating comfort level is achieved.

### **4.2 Main activities**

#### **Under SO 1/Result 1**

*Activity 1.1: Further support to agriculture, rural development and food safety sector institutions*

- To support the preparation and implementation of the national sectoral legislation aligned with EU acquis as per the AA/DCFTA;
- To prepare the National Strategy and Programme for Agriculture and Rural Development 2020-2026 (with ex-ante evaluation and SEA) duly consulted with the relevant internal and external stakeholders, costed and reflected in the State Budget, as well as harmonised with other relevant strategies, and EU policy;
- To continue developing the monitoring and evaluation system with measurable indicators and to build the capacity of the staff of MAFI to analyse and use the available data for evidence-based policy-making;
- To assist AIPA for continuous application of a sound financial management system for pre-investment subsidy mechanism;
- To support ANSA departments at central and regional offices in updating and implementing annual work plans.

*Activity 1.2: Supply of diagnostic kits to the National Reference Laboratory of ANSA*

- To assist laboratory staff in validating methods and performing proficiency/ring testing;
- To deliver diagnostic kits to the national laboratory in support to the implementation of the annual monitoring and surveillance programme for animal diseases based on the developed technical specifications from FWC expert commissioned by EU Delegation in the Republic of Moldova.

**Under SO 2/Result 2**

*Activity 2.1: Support to SMEs in rural areas mainly through provision of sub-grants and accompanying measures, ensuring diversification and creation of rural businesses, specifically micro, small and medium size enterprises, increased employment generation, attraction of foreign investment, compliance with EU food safety standards in the agri-food sector and decrease of migration flows from rural to urban areas or even abroad.*

*Activity 2.2: Rural SME Policy Support Window*

- To support to the implementation of ODIMM Strategic Development plan 2016-2020
- To create a more business-friendly environment in the rural areas of Moldova.
- To promote development of business development services in rural areas.

**Under SO 3/Result 3**

*Activity 3- Building inclusive and sustainable Value and Trust Chains for GMO-free/organic Soya*

- To restructure existing and develop new supply and value chains;
- To help the establishment of domestic value chains and domestic brands;
- To introduce a quality and certification system in Moldova including corresponding quality control measure with the view to license products under the quality brand, and improve the relevant framework conditions;
- To support know-how and technology transfer with a view to build new capacities;
- To support the diversification of existing varieties and the development of new varieties with specific properties;
- To establish support schemes small-farmer programmes with the view to include the smallest producers into the initiative;

- To provide technical assistance for project development, accessing funding;
- To implement match-making and B2B measures.

#### **Under SO 4 /Result 4**

##### *Activity 4 – Modernisation of rural areas*

- Ensuring social and economic integration of the disadvantaged and marginalized groups;
- Provision of social services of public interest;
- Upgrading and maintenance of public spaces, including natural sites and cultural heritage;
- Development of social activities in rural areas (including leisure and sport).

#### **Under SO 5/Result 5**

##### *Activity 5.1: Improvement of water supply and sanitation across regions in the Republic of Moldova*

- Implementation of projects on improvement of water supply and sanitation infrastructure;
- Assisting the local authorities in tariff-setting in order to ensure sustainability of the water and sanitation infrastructure operation and maintenance.

##### *Activity 5.2: Establishing safe water disposal in the town of Cantemir*

- Implementation of construction of new Wastewater treatment plant (WWTP) in the town of Cantemir;
- Assisting in adaptations of the tariff and billing system to ensure sustainability of the investments at socially affordable tariffs, including operation and maintenance of the utility and its financial planning.

#### **Under SO 6/Result 6**

##### *Activity 6: Improving energy efficiency in public buildings in the regions of Moldova*

- Implementation of projects on improvement of energy efficiency in public buildings.

### **4.3 Intervention logic**

In order to contribute to the creation of synergies between agriculture, rural development, environment (including energy efficiency) and regional development and in view of improving the quality of life in rural areas, this Action will intervene in the following three dimensions.

- The first dimension covers the development of policy, legal and institutional framework, generating increased capacities to properly plan and implement effective agriculture and rural development policies with an added value for citizens and economic operators.

- The second dimension focuses its activities on the promotion of economic development by providing specific support to the development of Micro, Small and Medium Enterprises (MMEs) to diversify economic activities in rural areas and to enhance MSMEs' capacities to design new/better products that obtain higher added value and price premia thus opening new market opportunities, and to assist agri-food SMEs in making investments that allow them to comply with EU food safety standards thereby promoting their ability to export to the EU market.
- The third dimension focuses its activities on the creation and/or development of infrastructures that, combined with the outcomes from previous dimensions, will increase the potential of this Action to achieve sound and sustainable outcomes in view of improving the standards of living in rural areas. This dimension will target water and sanitation infrastructure, improved energy efficiency in public buildings, the rehabilitation of natural and cultural heritage and the promotion of rural tourism, which contribute to the socio-economic development of the communities.

All above mentioned Action Intervention Dimensions will directly benefit the citizens of the Republic of Moldova, especially those located in the rural areas.

## **5 IMPLEMENTATION**

### **5.1 Financing agreement**

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

### **5.2 Indicative implementation period**

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

### **5.3 Implementation modalities**

#### **5.3.1 Grants: 1 Call for proposals in the framework of the Twinning Programme <Further support to agriculture, rural development and food safety> (direct management)**

(a) Objectives of the grants, fields of intervention, priorities of the year and expected results

The Twinning call for proposals modality will be used to implement the activities under specific objective 1, activity 1.1, providing assistance to the Ministry of Agriculture and Food

Industry, the Agriculture Intervention and Payment Agency (AIPA) and the National Food Safety Agency (ANSA) with the objective to further strengthen their institutional capacities to fulfil their commitments under the AA/DCFTA.

The main expected results are:

- Strengthened capacity of the Ministry of Agriculture and Food Industry, its subordinated structure the Agriculture and Intervention Payment Agency, and the National Food Safety Agency for inclusive and evidence-based design and implementation of agriculture, rural development and food safety policy in line with the principles of public administration and the "better regulation guidelines", and development and implementation of food safety/quality/organic/marketing standards, in line with AA/DCFTA commitments;
- Adopted new policy and legal framework in line with EU policy for agriculture and rural development via the National Strategy and Programme for Agriculture and Rural development 2020 and beyond;
- Improved operating structures monitoring and evaluation capacity and inclusive evidence-based policy making;
- Improved management of the rural development support measures in line with EU standards;
- Progress in the implementation of Title IV, Chapter 12 of the EU-Moldova Association Agreement.

#### (b) Eligibility conditions

In line with Article 4(10) (b) of Regulation (EU) No 236/2014, participation in Twinning calls for proposals is limited to public administrations of the EU Member States, being understood as central or regional authorities of a Member State as well as their bodies and administrative structures and private law bodies entrusted with a public service mission under their control - provided they act for the account and under the responsibility of that Member State.

#### (c) Essential selection and award criteria

The essential selection criterion is the operational capacity of the applicant.

The essential award criteria are the technical expertise of the applicant and the relevance, methodology and sustainability of the proposed action.

#### (d) Maximum rate of co-financing

The rate of co-financing for Twinning grant contracts is 100%<sup>7</sup>.

#### (e) Indicative timing to launch the call

The call for proposal under this Programme is expected to be launched in Q1 of 2018.

#### (f) Use of lump sums/flat rates/unit costs

Twining contracts include a system of unit costs and flat rate financing, defined in the Twinning Manual for the reimbursement of the public sector expertise provided by the selected Member States administrations. The use of this system of unit costs and flat rate financing, which exceeds the amount of EUR 60 000 per beneficiary of a Twinning contract, is subject to the adoption of a separate, horizontal Commission decision.

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<sup>7</sup> As provided for in the Twinning Manual

### **5.3.2 Grant: Direct award <Support to SMEs in rural areas> (direct management)**

#### **(a) Objectives of the grant, fields of intervention, priorities of the year and expected results**

The direct grant award modality will be used to implement the activities under the specific objective 2, activity 2.1, with the objective of the grant to support SMEs in rural areas.

The main purpose of the grant is to redistribute it to third parties (financial support to third parties).

The main expected results are to support diversification and creation of rural businesses, specifically micro, small and medium size enterprises, to assist agri-food SMEs in making investments that allow them to comply with EU food safety standards, increase employment generation, attraction of foreign investment, and decrease of migration flows from rural to urban areas or even abroad.

#### **(b) Justification of a direct grant**

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to ODIMM, in accordance with the provisions of Article 137 of Financial Regulation and Article 210 of RAP.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because in accordance with Article 190 (1) (f) of Commission Delegated Regulation (EU) No. 1268/2012, the action has specific characteristics requiring a specific type of beneficiary for its technical competence, specialisation or administrative power in the area of SME development, including implementing Access to Finance Programmes to support private sector development. Given its unique mandate and specific technical expertise, ODIMM is the most appropriate organisation to execute the tasks of the project.

ODIMM, as a non-profit organization, with the status of public institution, governed by public law and created by Government Decision nr.538 dated on 17 May 2007, working in coordination with the Ministry of Economy and other central and local public administrations, business associations, business support providers and SMEs, was given specific executive tasks in the field of SME development. Its mission is to promote sustainable economic development of the Republic of Moldova. Acting as an implementing agency, ODIMM assures the implementation of the state-funded projects and programmes, as well as of projects and programmes financed by national and/or international organisations.

#### **(c) Essential selection and award criteria**

The essential selection criteria are the financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

#### **(d) Maximum rate of co-financing**

The maximum possible rate of co-financing for this grant 80%.

In accordance with Article 192 of Regulation (EU, Euratom) No 966/2012 if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative trimester to conclude the grant agreement

Q1 2018

### **5.3.3 Grant: Call for proposals on <Modernisation of Rural Areas> (direct management)**

(a) Objectives of the grants, fields of intervention, priorities of the year and expected results

The call for proposals modality will be used to implement the activities under specific objective 4, activity 4, providing support in improving the living conditions in rural areas, including but not limited to upgrading social and cultural facilities, natural sites, by stimulating actors in the local communities to engage in the social economy.

It is planned to conclude one single grant contract following the call for proposals; and the main purpose of the grant will be to redistribute to third parties (financial support to third parties).

The main objective of this grant is to support the final grant beneficiaries such as local service providers, social entrepreneurs, local action groups, farmers and farmer associations and networks, local authorities to implement priority pilot actions in rural areas to stimulate economic regeneration and boost attractiveness of rural areas.

The fields of intervention will include activities on improvement the living conditions in rural areas, including but not limited to upgrading social and cultural facilities.

The main expected results are: Improved living conditions in rural areas, enhanced social facilities and services to the population; economic activities diversified.

(b) Eligibility conditions

Following potential applicants are eligible to submit proposal to this call: Civil Society Organisations, as well as social entrepreneurs, SMEs and SMEs associations, BSOs and business associations to actions directed to economic regeneration. Subject to information to be published in the call for proposals, the indicative amount of the EU contribution per grant is EUR 1 000 000 and the grant may be awarded to sole beneficiaries and to consortia of beneficiaries (coordinator and co-beneficiaries).

(c) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for grant under this call is 90 %.

In accordance with Article 192 of Regulation (EU, Euratom) No 966/2012, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative timing to launch the call

This call for proposals is expected to be launched in Q2 of 2018.

### 5.3.4 Procurement (direct management)

Subject	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Call for tender < Supply of diagnostic kits to the National Reference Laboratory of ANSA> (direct management)	Supply	1	Q3 2018
Call for tender < Rural SME Policy Support Window > (direct management)	Services	1	Q1 2018
Call for tender <Communication and visibility>	Services	1	Q1 2018
Evaluation, Audit	Services	3	Q1/Q4 2021

### 5.3.5 Indirect Management with Austrian Development Agency (ADA)

Part of this action on building sustainable value and trust chains for GMO-free/organic soya (Activity 3) and on improving access to sustainable water and sanitation services in rural areas (Activity 5.2) may be implemented in indirect management with ADA in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012.

Implementation of Activity 3 entails assistance to participants of the value chain for conventional non-GMO and organic soya intended for feed and food from the Republic of Moldova to integrate them into regional and especially European value chains and markets.

Implementation of Activity 5.2 entails contracting by ADA of a construction company and construction supervisor for execution of the reconstruction works at the Waste Water Treatment Plant and sewerage system in the city of Cantemir.

This implementation is justified because:



Activity 3: ADA's development experience and standing in Moldova, as well as access to expertise in the public sector. ADA will use existing successful cooperation and implementation arrangements which will secure timely and qualitative implementation of the action to the benefits of end beneficiaries.

Activity 5.2: ADA has developed these last years in Moldova extensive competences in working on infrastructure projects and has developed cooperation and secured the commitment of local authorities for the implementation of the project.

The entrusted entity would carry out the following budget-implementation tasks: running the public procurement, grant award procedures; concluding and managing the resulting contracts, including making of the related payments.

#### **5.3.6 Indirect management with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)**

Part of this action (Activity 5.1 and Activity 6) may be implemented in indirect management with GIZ in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012.

This implementation entails arrangement of small scale projects on improvement of rural water supply and sanitation infrastructure and energy efficiency measures in public buildings such as hospitals, schools, lyceums, etc.

This implementation through GIZ is justified as the proposed action: 1) will use existing successful cooperation and implementation arrangements which will secure timely and qualitative implementation of the works to the benefits of beneficiaries; 2) GIZ has developed these last years in Moldova extensive competences in working with the Ministry of Regional Development and Construction, the Regional Development Agencies on the preparation of infrastructure projects in the sectors of intervention; 3) GIZ has recognised competencies in the areas of Water and Energy Efficiency.

The entrusted entity will carry out the following budget-implementation tasks: running the public procurement, grant award procedures; concluding and managing the resulting contracts, including making of the related payments.

#### **5.4 Scope of geographical eligibility for procurement and grants**

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

## 5.5 Indicative budget

	<b>EU contribution (amount in EUR)</b>	<b>Indicative third party contribution (EUR)</b>
<b>Objective/Result 1 – To support the development of the policy, legal and institutional framework</b>	<b>3 000 000</b>	
5.3.1 Twinning - Call for proposals – <Further support to agriculture, rural development and food safety> (direct management)	2 000 000	
5.3.4 Procurement < Supply of diagnostic kits to the National Reference Laboratory of ANSA> (direct management)	1 000 000	
<b>Objective/Result 2 &lt; Investment support for SME development and job creation in rural areas&gt;</b>	<b>6 600 000</b>	<b>1 000 000</b>
5.3.2 Direct grant to ODIMM <Support to SMEs in rural areas> (direct management)	4 000 000	1 000 000
5.3.4 Procurement <Rural SME Policy Support Window> (direct management)	2 600 000	
<b>Objective/Result 3 &lt;To increase the competitiveness of the agri-food sector &gt; and Objective/Result 5 &lt;To strengthen the social and technical infrastructure in rural areas&gt;</b>	<b>8 200 000</b>	<b>800 000</b>
5.3.5 Indirect management with Austrian Development Agency	8 200 000	800 000
<b>Objective/Result 4 &lt;To increase the attractiveness of rural areas&gt;</b>	<b>1 000 000</b>	<b>111 111</b>
5.3.3 Call for proposals < Modernisation of rural areas> (direct management)	1 000 000	111 111
<b>Objective/Result 5 &lt; To strengthen the social and technical infrastructure in rural areas &gt; and Objective/Result 6 &lt; Improved energy efficiency in public buildings in the regions of Moldova&gt;</b>	<b>39 800 000</b>	
5.3.6. Indirect management with GIZ	39 800 000	
5.8.–Evaluation, 5.9 - Audit	<b>400 000</b>	
5.10. Communication and visibility	<b>1 000 000</b>	
<b>Totals</b>	<b>60 000 000</b>	<b>1 911 111</b>

## **5.6 Organisational set-up and responsibilities**

For the activities of the Action a multi-stakeholder approach will be followed in the context of the relevant Project Steering Committees in order to ensure wider range of consensus.

The main counterparts of this action will be the Ministry of Agriculture and Food Industry and the National Food Safety Agency, State Chancellery and Ministry of Finance for actions (1),(3) and (4); the State Chancellery, Ministry of Regional Development and Construction and Ministry of Environment for action (5); the State Chancellery, ODIMM, Ministry of Finance and Ministry of Economy for action (2) and the Ministry of Economy, Ministry of Regional Development and Construction and representatives of local public authorities for action (6).

The Delegation of the European Union to Moldova will co-chair all Project Steering Committees.

A Steering Committee (SC) will be created for each individual action proposed to supervise the implementation of the project. The Steering Committee shall review and guide the work of the action and shall supervise its overall implementation. The Steering Committee shall meet at least twice a year or more frequently if needed. Back-to-back Steering Committees should be organised wherever possible.

## **5.7 Performance monitoring and reporting**

EU Delegation will execute regular monitoring tasks as per its monitoring plan, using standard procedures and tools.

The day-to-day technical and financial monitoring of the implementation of this action and projects resulting from a call for proposals will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Monitoring missions will take place at the end of the financial year to review the progress of the reform, checking financial and budget execution reports in order to collect evidence on the funding and budget allocations.

## **5.8 Evaluation**

Having regard to the nature of the action, ex-post evaluations will be carried out for this action or its components via independent consultants contracted by the Commission.

One will be carried out by assessing the efficiency, sustainability, effectiveness, impact and accountability at various levels (including for policy revision), taking into account in particular the fact that the action complements and extends ENPARD, and should directly contribute to AA/DCFTA target results. The evaluation shall contain a gender analysis.

Another independent technical evaluation on the energy efficiency projects will be carried out to determine the technical compliance suitability of the later.

The Commission shall inform the implementing partner at least two months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, two contracts for evaluation services shall be concluded under a framework contract in Q4 2021.

## **5.9 Audit**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one contract for audit services shall be concluded under a framework contract following the end of activities of the relevant actions, indicatively Q1 2021.

## **5.10 Communication and visibility**

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU and will be given high importance during the implementation of the Action.

This action shall contain well-coordinated communication and visibility measures, linking all proposed actions in an integrated manner, which shall be based on a specific Communication and Visibility Strategy of the Action, to be elaborated at the start of the implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Strategy of the Action and the appropriate contractual obligations.

The beneficiary, namely the relevant Moldovan institutions and authorities, shall report on its visibility and communication actions in the report submitted to the ENI monitoring committee and the sectoral monitoring committees. As part of the Financing Agreement, the Moldovan government undertakes to ensure that the visibility of the EU contribution is given appropriate coverage in the various publicity media.

At appropriate milestones throughout the programme and, after appropriate events, press releases will be issued by the contractor implementing the horizontal communication project, in co-operation with the EU Delegation to Moldova. In all these actions the EU visibility guidelines will be strictly adhered to.

A specific service contract for communication and visibility is envisaged which will ensure the creation and implementation of an overall strategy on visibility of EU assistance for this action, covering all actions of AAP 2016, including TCF. The main goal of this project will be to identify key synergies between the different sectors and to draw a common approach towards communication and visibility on these actions. The key outcome of this project will be an increased awareness level of the target audiences on the connections, the outcome, and the final practical benefits of EU assistance provided in the framework of this action.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives. Actions shall be aimed at strengthening general public awareness of interventions financed by EU and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions. Visibility actions should also promote transparency and accountability on the use of funds.

## 6 APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY) <sup>8</sup>

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes.

	Intervention logic	Indicators	Baselines	Targets	Sources and means of verification	Assumptions
Overall objective: Impact	To contribute to the improvement of the quality of rural life for a sustainable development of the Republic of Moldova	- Reduction of rural poverty - % of migration from rural to urban areas	60% (2015) 25 % (2015)	50% (2020) Decrease by 10% migration	- Financing Agreement - AA and ENP Progress Reports - National Strategy implementation monitoring - Eurostat and National Bureau of Statistics data	
Specific objective:  Outcome	Specific objective (SO) 1: To support the development of the policy, legal and institutional framework for an effective development for Moldova's agriculture and rural areas, in a way that they contribute to sustainable development, adaptation to climate change and the country's transformation towards a green economy	- % of laws and regulations harmonised with EU acquis adopted and implemented; - % of rural development measures implemented as part of the Agriculture and Rural Development Action Plan 2014-2020 according to EU standards	- 20% of legal acts harmonised (2016)  - 50% (2016)	- 80% legal acts harmonised (2020)  - 100% (2020)	- MAFI and other Ministry reports - Official Journal and Government Decisions - AA and ENP Progress Reports - Reports on the action's implementation - Eurostat / National Bureau of Statistics data	- Stakeholder commitment to AA, Chapter 12, Title IV - Infrastructure project pipeline - Coordinated institutional support to rural SMEs - Agri-food sector interest in economic modernisation and green economy - Receptiveness of

<sup>8</sup> Indicators aligned with the relevant programming document are marked with '\*' and indicators aligned to the EU Results Framework with '\*\*'.

	Specific objective (SO) 2: To reduce economic and social disparities in rural areas through the introduction of active employment initiatives and the development of micro, small and medium sized enterprises.	- % of rural unemployment rate - % of economic units across Moldova	- Rural unemployment rate (2014) – 2.1% , 1,3 % men and 0.8 % women - Economic units across Moldova: Municipality Chisinau - 66.3%; Centre - 14.1%; North - 11.8%; South - 5.1%; T.A.U. Gagauzia - 2.7%. (2014)	- Rural unemployment rate (2020) – 1.8% , 0,9 % men and 0.6 % women - Economic units across Moldova: Centre - 16.1%; North - 13.8%; South - 7.1%; T.A.U. Gagauzia – 4.7%. (2020)	- State Chancellery Reports - Ministry of Economy reports on implementation of the SME strategy - ODIMM reports on action plan implementation - Eurostat / National Bureau of Statistics data	agri-food stakeholders to further use of extension services in order to improve food safety, quality, and access to markets for producers
	Specific objective (SO) 3: To increase the competitiveness of the agri-food sector through integration to domestic and global value chains, in particular in the soya sector	Agriculture, value added (% of GDP)	(2014) Agriculture, value added (% of GDP) 15.2	(2020) Agriculture, value added (% of GDP) 17%	- MAFI reports - Project reports - Statistics - Company surveys - Customs reports	
	Specific objective (SO) 4: To increase the attractiveness of rural areas through targeted upgrading of social and cultural facilities	- %. of population from rural areas migrating to cities and abroad	- 25% (2014)	At least 2% decrease of population migration to urban areas (2020)	- National Bureau of Statistics data - MAFI annual report - National Agency for Rural Development (ACSA) reports - National Tourist Agency - MIEPO reports	
	Specific objective (SO) 5: To strengthen water supply and sanitation infrastructure in rural areas through the effective implementation of development projects based on coherent development plans	Access rate to permanent safe water services in rural areas (%)  Access rate to improved sewage and sanitation system in rural areas	(2012) 42,1%  (2010) 21,4%	(2020) 65%  (2025) 65%	- Ministry of Regional Development and Constructions reports on implementation of NSRD 2016-2020 - Reports on implementation of 3 RDS (including ROPs and RSPs reports in WSS)	

	Specific objective (SO) 6: To improve energy efficiency and contribute to energy savings in the regions.	% of saving of end use energy in the building sector - % share of renovated public buildings by 2020.	- 0 (2016) - 0 (2016)	- Contribution to 10% saving of end use energy in the public building sector by 2020 - Contribution to the 10% refurbished public buildings by 2020.	- National Energy Efficiency Action Plan report - Project reports - National statistics	
Outputs	<b>Result 1:</b> The capacities of national public institutions in charge of design and implementation of agriculture, rural development and food safety policy, and implementation of food safety standards, in line with AA/DCFTA commitments are strengthened	-% of MAFI staff trained - % of food safety inspectors trained according to EU requirements - % of agro-food establishments implementing food safety and quality standards;	- 5% of relevant MAFI staff aware of policy formulation (2016); - 30% of food safety inspectors trained (2016) - 2 % of agro-food establishments meeting food safety and quality standards (2015)	- 80% of MAFI relevant senior staff is trained in policy formulation and appraisal (2020) - 90% of food safety inspectors trained (2020) - 25% of agro-food establishments meeting food safety and quality standards (2020)	- Progress Reports on implementation of Association Agreement - MAFI reports on agriculture and rural development strategy - AIPA's progress reports on the implementation of the financing support system.	Capacity strengthening aligned with Association Agreement requirements
	<b>Result 2:</b> Employment opportunities for men and women are created through investment support for SME development and job creation in rural areas	- % of rural enterprises obtaining access to finance out of the total number of applicants - No. of new jobs (men and women) created in rural areas* - Number of sectoral BSOs trained	- 80 % of rural enterprises selected (2015) - Number of jobs created – 1, 146 (2015) - 0 (2015)	85% of rural enterprises selected(2020) - Number of jobs created by 20% increase (2020) - At least 10 BSO are trained (2020)	- State Chancellery Reports - Ministry of Economy reports on implementation of the SME strategy - ODIMM reports on action plan implementation - Eurostat / National Bureau of Statistics data	Continued restructuring of economic activities within rural areas, and increase in non-agricultural activity within SMEs  Ongoing interest in using remittances for investment in rural areas
	<b>Result 3:</b> Integration to domestic and global value chains for soya is achieved	- Number of new country markets accessed by Moldovan farmers/companies	- Exports to 2 EU countries (2015)	- Exports to 3 EU countries (2020)	- State Chancellery Reports - MAFI reports on agriculture and rural development strategy	Implementation of sanitary and phytosanitary measures compliant with EU standards



					- Eurostat / National Bureau of Statistics data	
	<b>Result 4:</b> Provision of social and cultural services to the rural population is improved	- Number of villages renovated - Number of people in rural areas benefiting from improved social and cultural service	- 0 (2016) - 0 (2016)	- At least 30 villages rehabilitated - At least 200,000 people in rural areas benefiting from improved social and cultural services	- MAFI reports on agriculture and rural development strategy - National Agency for Rural Development (ACSA) reports - Eurostat / National Bureau of Statistics data - National Tourist Agency - MIEPO reports	- Ongoing interest for investment in rural areas
	<b>Result 5:</b> Access to sustainable water and sanitation services in rural areas is improved	- Number of people having access to renovated/extended public water and sanitation services - Number of kilometres of renewed water supply and sanitation network;	- 0 (2016) - 0 (2016)	- Up to 150,000 people will benefit from improved/rehabilitated water supply systems. - Among them, about 46,000 people will have access to extended drinking water distribution network (2020). - More than 30,000 people will be connected to rehabilitated and extended sewerage networks. (2020) - About 60 km of existing water supply networks rehabilitated and 140 km new distribution networks constructed (2020) - About 60 km new sewerage networks constructed (2020)	- Reports on implementation of national water supply and sanitation strategy - WHO/UNICEF / Eurostat / National Bureau of Statistics data	Demonstrable impact on quality of life in rural communities.  Continued commitment to Millennium Development Goals
	<b>Result 6:</b> Reduction of energy costs and improvement of heating comfort level is achieved	- Number of public buildings renovated with EU support	- 0 (2016) -	- 8 public buildings renovated with EU support	- National Strategy on Energy efficiency - Reports on the implementation of the strategy	- Financing source secured and project implemented as designed.

						<p>Properly skilled staff allocated and trained.</p> <ul style="list-style-type: none"> <li>- Building will be used for public purposes and its intended purpose will not be changed.</li> <li>- The project shall respect all relevant national standards but also western European standards and practices which are relevant for ensuring a sustainable building rehabilitation project.</li> </ul>
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